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SUBJECT: SETTING THE SCENE FOR THE OPENING OF THE TAJIK-AFGHAN BRIDGE
AND SECRETARY GUTTIEREZ'S VISIT TO TAJIKISTAN

CLASSIFIED BY: Tracey Ann Jacobson, Ambassador, U.S. Embassy,
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REASON: 1.4 (b)

¶1. (SBU) The August 26 opening of the U.S.-constructed bridge between Afghanistan and Tajikistan launches an era of great possibilities and potential by creating a new transportation and trade link between Central and South Asia. The \$37 million state-of-the-art bridge quite literally symbolizes the strong U.S. commitment to regional stability and economic integration. However, it is largely up to the Tajiks and Afghans to realize the promise of prosperity this bridge offers and ensure a multidirectional flow of goods, people and energy that will lead to long-term success.

¶2. (SBU) Your participation in the opening ceremony signals that the United States remains a steadfast development partner to both countries and a strong supporter of regional cooperation. Your bilateral meeting with President Rahmon presents an opportunity to remind him privately that Tajikistan needs more than window-dressing measures to develop its economy -- only serious reform and government commitment to transparency and rule of law will attract the kinds of investors Tajikistan so desperately wants. You may also note that myriad examples of corruption and bureaucracy working against U.S. and international companies are not helping to improve Tajikistan's reputation as a tough place to do business.

THE PROSPERITY BRIDGE

¶3. (SBU) The bridge opening event will be a true celebration of multilateral cooperation and the shared vision of regional economic integration. Tajikistan has long been a dead end on the Silk Road. But with the Japanese rebuilding the road southward to Afghanistan, and the Chinese and Asian Development Bank refurbishing roads from Dushanbe to the Kyrgyz border, the bridge makes Tajikistan a central link in an international transit system connecting Kazakhstan to Karachi. It also provides an important means to connect the Tajik and Afghan people at the local level, while fostering communication, trade, and a true spirit of regional cooperation.

¶4. (C) However, despite our prodding, the Tajiks have done little to prepare for the operation of a major border crossing point. The Tajiks have yet to integrate their customs and border crossing procedures with their Afghan counterparts, or even decide on hours of operation. The bridge cannot open for business immediately after the August 26 event because neither side is ready. Construction will continue on the border crossing facilities on either end of the bridge. Tajik border

officials predict that full operations will begin in October, but that will require both sides to train staff, and ensure that equipment and facilities are in place. You can encourage the Tajiks to work with the Afghans to build real working relations that will benefit both countries. We have been disappointed by recent decisions overturning Tajikistan's prior commitment to allow Afghan participation in U.S. and EU-funded border guard training programs; you can note that joint training and network-building is necessary for effective border management.

15. (SBU) When the bridge is operational, it will provide an important alternative to Uzbekistan for transport of goods from Central Asia and China to Afghanistan, Pakistan and beyond. The majority of Tajikistan's exports -- cotton and aluminum -- go through Uzbekistan by rail, but the bridge will provide a new southern route for Tajik produce and construction supplies. We also hope the bridge will facilitate the northward flow of licit trade goods. However, if Tajikistan does not take the necessary steps to create a positive business environment to attract imports, it will not realize all the economic benefits of improved trade. In particular, Tajikistan must simplify its customs procedures, and crack down on the corruption of individual customs officials. Further, it must be prepared to work with Afghanistan, a country of which it is still suspicious, to allow Afghan traders to come North as well as permit Tajik traders to go South.

TAJIKISTAN AT A CROSSROADS

16. (C) In your bilateral meeting with President Rahmon, he will propose more U.S. investment, particularly in mega-infrastructure projects like the \$4 billion 4000 MW hydropower station at Dhasti-Jhum. Deputy Assistant Secretary Paul Dyck's May visit to Tajikistan highlighted how little Tajik officials want to hear, or talk about, the poor investment

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climate their policies foster. Nepotism, cronyism and a lack of human capacity (with a failed educational system poorly preparing the next generation) drag down Tajikistan's economic potential and scare away new businesses. Successful Tajiks rarely invest in anything other than real estate for fear the government will find a pretext to seize their businesses or extort payments. The bureaucratic cocktail of visa restrictions, registration difficulties, complex licensing rules, and surprise inspections scares off all but the most intrepid investors and organizations.

17. (C) Despite Tajikistan's huge economic potential, international companies operating here unanimously complain about the business environment. The Italian firm that built our bridge could not get pre-paid deliveries of cement or a construction license without repeated U.S. Embassy interventions at the highest levels. An Indian company built a juice factory two years ago, but the Mayor of Dushanbe refused to open it, so it sits idle when 200 people could be processing Tajikistan's fantastic produce. Customs officials have delayed the Russian company RAO UES' equipment imports for the Sangtuda-I hydro-power station, the government's number one infrastructure priority. The Ministry of Justice refuses to register a number of micro-credit organizations that lend to entrepreneurs. The Ministry of Energy and Industry is pressuring a U.S. company to sell its product to a shell company. The list could be longer, but the stories are the same: corruption hiding behind bureaucracy.

18. (C) You will have the unusual opportunity to speak privately to President Rahmon and tell him what his closest advisors do not mention or do not understand: most international companies are reluctant to invest in Tajikistan because the bureaucracy and corruption are growing. High-level Tajik officials frequently brush off individual complaints, promising that they will just "take care of things" if they are informed of a problem. We have had some success stories -- such as the resolution of Gerald Metals' \$30 million claim against Tajikistan, after years of high-level lobbying. However, a

prosperous economy cannot be built on personal protections. Administrative and regulatory reforms are not as sexy or photogenic as bridges and hydropower dams, but they are more critical to Tajikistan's immediate economic future. Real investment will only come when companies feel protected by Tajik law. (And the oft-mentioned Tajik "law on foreign investment" and new anti-corruption agency offer little protection from the tax, customs and local inspectors who all want their cut.) A subtle or sophisticated message may be lost on Rahmon and his Soviet-trained cabinet, however, a frank discussion on the consequences of the lack of reform might be the wake-up call Rahmon needs.

19. (SBU) Two years ago, at the groundbreaking for the bridge, we heralded a new Silk Road, a period of progress and prosperity in Tajikistan and Afghanistan. That vision remains alive. But in the intervening two years Tajikistan has grown more authoritarian, and the operational environment has deteriorated.

If we want the bridge to fulfill its potential as a symbol for regional integration and prosperity, especially for business, we will need to press the Tajik government to return to its commitment for economic reform and transparency. We very much look forward to your visit.

JACOBSON